

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA	:	CRIMINAL NO. 06-
	:	
v.	:	DATE FILED:
	:	
JOSEPH J. CONNORS	:	VIOLATIONS:
JAY ANDREWS	:	18 U.S.C. § 1344 (bank fraud - 1 count)
RICHARD SHAFFERT	:	18 U.S.C. § 1014 (false statement to a
	:	bank – 65 counts)
	:	18 U.S.C. § 2 (aiding and abetting)
	:	Notice of forfeiture

INDICTMENT

COUNT ONE

THE GRAND JURY CHARGES THAT:

BACKGROUND

At all times material to this indictment:

1. Kleinert's, Inc. ("Kleinert's" or "the Company") was a Pennsylvania corporation that was in the business of designing, manufacturing, and selling children's clothing.
2. Kleinert's sold children's clothing to various retail establishments in the United States under the Kleinert's label, the private labels of its customers, and the Buster Brown label.
3. Kleinert's corporate headquarters were in Plymouth Meeting, Pennsylvania, its primary sales office was in New York, New York, and its distribution center and accounting offices were in Elba, Alabama.
4. Defendant JOSEPH J. CONNORS was a certified public accountant who worked for Kleinert's from in or around January 1983 until in or around May 2003. CONNORS

was, at various times, the Chief Financial Officer and Chief Operating Officer of Kleinert's, and his final annual salary was \$300,000.

5. Defendant JAY ANDREWS worked for Kleinert's from in or around January 1987 until in or around May 2003. He was a President of Kleinert's, its head of sales in New York, and a member of Kleinert's Board of Directors. His final annual salary was \$300,000.

6. Defendant RICHARD SHAFFERT worked for Kleinert's under the supervision of defendant JOSEPH J. CONNORS from in or around September 2002 until in or around May 2003. He was initially hired in a temporary position to perform various financial functions and, on or about October 29, 2002, was appointed Vice-President of Finance and Chief Financial Officer. His final annual salary was \$160,000.

7. The following banks were financial institutions, the deposits of which were insured by the Federal Deposit Insurance Corporation:

a. First Union National Bank ("First Union"), which later became Wachovia Bank ("Wachovia"), certificate number 33869;

b. National City Bank ("National City"), certificate number 6557;

c. HSBC Bank USA ("HSBC"), certificate number 589; and

d. Fleet Bank ("Fleet"), certificate number 2558.

8. On or about June 8, 2000, Kleinert's entered into a loan agreement ("the 2000 Loan Agreement") with First Union, National City, and HSBC (collectively, "the First Union Bank Group") under which the First Union Bank Group provided Kleinert's with approximately \$68 million in financing. The First Union Bank Group assumed the following financial responsibility with respect to the 2000 Loan Agreement: First Union – approximately

\$38 million; National City – approximately \$20 million; and HSBC – approximately \$10 million. Among other things, the 2000 Loan Agreement required Kleinert's to maintain certain financial covenants and provide regular financial reports and certifications to the First Union Bank Group. These reports and certifications included, among other things, Borrowing Reports and covenant calculations that summarized various aspects of the Company's financial position, and Form of Compliance Certificates that represented that the financial information submitted to the First Union Bank Group was accurate.

9. On or about April 13, 2001, Kleinert's and First Union, National City, and HSBC amended the loan agreement of June 8, 2000 to waive and modify certain financial covenants. The amendments required Kleinert's to raise approximately \$6.2 million in additional funding from other sources that would take the form of subordinated debt. Kleinert's then obtained approximately \$6.2 million in loans from Company shareholders as subordinated debt. In or around December 2001, the First Union Bank Group allowed Kleinert's to repay approximately \$4.3 million of the shareholder loans.

10. On or about May 31, 2002, after the 2000 Loan Agreement expired, Kleinert's entered into an Amended and Restated Loan Agreement ("the 2002 Loan Agreement") with Wachovia, National City, and Fleet, which replaced HSBC (collectively, "the Wachovia Bank Group"). The 2002 Loan Agreement provided for approximately \$58 million of financing, with Wachovia responsible for approximately \$29 million, National City responsible for approximately \$14.5 million, and Fleet responsible for \$14.5 million. The 2002 Loan Agreement required Kleinert's to maintain certain financial covenants and allowed the Company to borrow funds based on a percentage of eligible accounts receivable and inventory. The 2002 Loan

Agreement also required Kleinert's to file with the Wachovia Bank Group financial reports and certificates. They included, among other things, weekly Borrowing Base Certificates ("BBC's") that listed accounts receivable and other financial figures and calculated the funds available under the terms of the loan agreement, covenant calculations, and Form of Compliance Certificates as were required under the 2000 Loan Agreement.

11. As a result of the fraud activity described below, the First Union and Wachovia Bank Groups funded Kleinert's based on false and misleading financial reports, providing millions of dollars in financing to which Kleinert's was not entitled. After the fraud was discovered and the Wachovia Bank Group ceased financing the Company, Kleinert's filed for bankruptcy. The Wachovia Bank Group sold Kleinert's assets in an attempt to recover the funds they had loaned to Kleinert's, and in doing so, lost at least approximately \$35 million of the loan amount.

12. From at least as early as in or about July 2001 through in or about February 2003, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendants

**JOSEPH J. CONNORS,
JAY ANDREWS, and
RICHARD SHAFFERT**

knowingly executed, and attempted to execute, and aided and abetted the execution and attempted execution of, a scheme to defraud First Union National Bank (and its successor, Wachovia Bank), HSBC Bank USA, National City Bank, and Fleet Bank (collectively, "the First Union and Wachovia Bank Groups" or "the Banks") and to obtain monies owned by and under the care, custody, and control of the Banks by means of false and fraudulent pretenses,

representations, and promises.

THE SCHEME TO DEFRAUD

It was part of the scheme that:

Fraudulent Bill and Hold Transactions

13. During the years that they were officers of Kleinert's, defendants JOSEPH J. CONNORS and JAY ANDREWS directed the sales force to generate fictitious sales transactions that fraudulently inflated the accounts receivable and revenues of Kleinert's. The accounting mechanism that CONNORS and ANDREWS used for these fictitious sales was known as a bill and hold transaction.

14. The accounting rules governing bill and hold transactions are set forth in the Securities and Exchange Commission Staff Accounting Bulletin 101 (SAB 101). SAB 101 provides that a bill and hold transaction may be recognized for the current fiscal period when the following requirements are met:

- a. The risks of ownership must have passed to the buyer;
- b. The customer must have made a fixed commitment to purchase the goods, preferably in written documentation;
- c. The buyer, not the seller, must request that the transaction be on a bill and hold basis. The buyer must have a substantial business purpose for ordering the goods on a bill and hold basis;
- d. There must be a fixed schedule for delivery of the goods. The date for delivery must be reasonable and must be consistent with the buyer's business purpose;
- e. The seller must not have retained any specific performance

obligations such that the earning process is not complete;

f. The ordered goods must have been segregated from the seller's inventory and not be subject to being used to fill other orders; and

g. The product must be complete and ready for shipment.

15. At the end of each fiscal year, defendants JOSEPH J. CONNORS and JAY ANDREWS directed salespersons to generate bill and hold transactions that did not meet these criteria. Most significantly, the customers did not request or even authorize the bill and hold transactions; rather, at the direction of CONNORS and ANDREWS, the salespersons wrote fraudulent letters using fabricated customer letterhead stating that the customers had requested the bill and hold transactions. Because the customers had not requested these transactions, the customer was not obligated to buy the goods and did not assume any risk of ownership. Likewise, Kleinert's did not send invoices to the customers for the transactions, and often used the "bill and hold" inventory to fill other customer orders.

16. At the end of fiscal year 2001, when Kleinert's was experiencing declining sales figures, defendants JOSEPH J. CONNORS and JAY ANDREWS directed the salespersons to generate approximately \$10 million in fraudulent bill and hold sales. This was a significantly higher figure than in previous years when Kleinert's recorded bill and hold sales of approximately \$1.8 million to \$3.6 million.

17. As a result of the fraudulent bill and hold sales, defendants JOSEPH J. CONNORS and JAY ANDREWS made and caused to be made numerous false statements to the Banks that misrepresented and inflated the financial position of Kleinert's.

18. Defendant JOSEPH J. CONNORS acted as Kleinert's primary contact

with the Banks in connection with the loan agreements. In this role, CONNORS made and caused false statements to be made to the Banks so that Kleinert's could appear compliant with financial covenants under the loan agreements, continue to obtain financing from the Banks, and maintain a favorable financial position with the Banks. The false statements arising from the fictitious bill and hold sales included, among others, the following:

a. Defendant JOSEPH J. CONNORS signed, submitted, and caused to be submitted to the First Union Bank Group false Borrowing Reports dated December 1, December 17, and December 29, 2001, and January 14, February 2, February 18, March 2, March 18, March 30, April 15, May 4, and May 20, 2002. CONNORS included in the accounts receivable in each of the above Borrowing Reports the fraudulent bill and hold sales. In doing so, CONNORS falsely inflated Kleinert's receivables by millions of dollars in each Borrowing Report.

b. On or about December 19, 2001, defendant JOSEPH J. CONNORS submitted and caused to be submitted to the First Union Bank Group financial covenant calculations prepared by CONNORS showing Kleinert's to have complied with certain financial covenants as required by the 2000 Loan Agreement. In particular, the calculations showed that Kleinert's had complied with the funded debt to EBIDTA (earnings before interest, depreciation, taxes and amortization) ratio covenant, which was a critical covenant to the First Union Bank Group. Without the fraudulent bill and hold sales, Kleinert's would not have been able to report compliance with this covenant.

c. Defendant JOSEPH J. CONNORS signed, submitted, and caused

to be submitted to the Banks Form of Compliance Certificates dated December 19, 2001, and February 2, March 2, April 15, May 20, and October 7, 2002. In these certificates, CONNORS stated, in summary, that all reports and financial statements submitted to the Banks under the loan agreements were true and correct, that they were prepared in accordance with Generally Accepted Accounting Principles (“GAAP”), and that they fairly presented the financial condition of Kleinert’s. CONNORS further stated that he was acting from his personal knowledge after due inquiry and with full knowledge that the Banks would rely on his representations. Because CONNORS, defendant JAY ANDREWS, and others acting at their direction, fabricated the bill and hold sales, the financial reports presented to the Banks that included those sales were not true and correct, were not prepared in accordance with GAAP, and did not fairly present the financial condition of Kleinert’s.

d. Defendant JOSEPH J. CONNORS signed, submitted, and caused to be submitted to the Wachovia Bank Group Borrowing Base Certificates dated June 3, June 8, June 17, June 24, July 1, July 8, July 15, July 22, July 29, August 1, August 5, August 12, August 19, August 26, September 3, September 9, September 16, September 23, September 30, October 7, October 14, October 21, October 28, November 4, November 11, November 18 and November 25, 2002. In each of these certificates, CONNORS overstated Kleinert’s receivables by the amount of the outstanding bill and hold sales, from approximately \$5.45 million in June 2001 to approximately \$770,000 in November 2002. CONNORS’ fraudulent misrepresentations in each of these Borrowing Base Certificates created the false impression that Kleinert’s had generated sales that would result in Kleinert’s collecting additional funds, when in fact, the sales were completely fabricated.

e. On or about March 7, 2002, defendant JOSEPH J. CONNORS submitted and caused to be submitted to the First Union Bank Group the draft Consolidated Financial Statements for Kleinert's for fiscal years ending December 1, 2001 and December 2, 2000. The draft Consolidated Financial Statements (1) falsely represented Kleinert's receivables for fiscal year 2001 to be approximately \$38,292,000, which included approximately \$10 million of fraudulent bill and hold sales; (2) overstated net income and gross profit for fiscal year 2001 by approximately \$1,357,810 based on the fraudulent bill and hold sales; and (3) falsely represented that Kleinert's "recognizes 'bill and hold' sales as revenue in accordance with Staff Accounting Bulletin #101." The final Consolidated Financial Statements, which were provided later to the Banks with Kleinert's 2001 Annual Report, included the same false representations set forth above.

f. On or about March 15, 2002, during a meeting concerning the possible renegotiation of the 2000 Loan Agreement which was about to expire, defendant JOSEPH J. CONNORS told officials from the First Union Bank Group that the 2001 bill and hold sales were legitimate receivables and that they would not negatively affect the sales for fiscal year 2002. In fact, as CONNORS well knew, the 2001 bill and hold sales were fraudulent and would negatively affect the sales for fiscal year 2002 because actual sales in 2002 would have to be reduced by the fraudulent bill and hold sales.

g. On or about November 18, 2002, in response to the Wachovia Bank Group's inquiries concerning the outstanding bill and hold orders totaling over \$3 million as of October 7, 2002, defendant JOSEPH J. CONNORS advised the Wachovia Bank Group that there were legitimate business reasons for the delay in shipment of the bill and hold items.

Specifically, CONNORS advised the Wachovia Bank Group that the customers had experienced poor retail sales and could not take the additional inventory until the fourth quarter. CONNORS further assured the Wachovia Bank Group that Kleinert's had "never had a customer not take its bill and hold obligation." Because CONNORS and defendant JAY ANDREWS fabricated the bill and hold sales and directed others to do so, and because the customers were not obligated to purchase the merchandise that Kleinert's falsely classified as bill and hold sales, these representations were false and misleading to the Wachovia Bank Group.

19. By engaging in the fraudulent bill and hold sales and making the representations to the Banks identified above, defendants JOSEPH J. CONNORS and JAY ANDREWS significantly overstated the company's financial position at the end of fiscal year 2001 and for most of fiscal year 2002. This enabled Kleinert's to falsely enhance its financial position and obtain funds under the loan agreements with the Banks. In particular, the false bill and hold orders for 2001 allowed Kleinert's to appear compliant with financial covenants with the Banks, repay shareholder loans, and renegotiate the 2000 Loan Agreement to generate the continued funding that was necessary for Kleinert's to operate its business.

20. At the end of fiscal year 2002, defendants JOSEPH J. CONNORS and JAY ANDREWS again directed the salespersons to generate fraudulent bill and hold sales as described above. As a result of these fictitious sales, which totaled approximately \$2,578,692, CONNORS and ANDREWS caused Kleinert's again to submit to the Wachovia Bank Group Borrowing Base Certificates that falsely inflated the Company's receivables and created a false financial picture of Kleinert's. As the business of Kleinert's continued to decline in 2002 and the availability of funds under the 2002 Loan Agreement was waning, these fraudulent

receivables continued to make the Company appear more financially sound than it actually was.

Wal-Mart Discount

21. Sometime around late November 2001, defendant JOSEPH J. CONNORS instructed Kleinert's Controller, an individual known to the grand jury and identified here as D.L., and her accounting staff, to recognize on Kleinert's financial records a \$1 million volume discount that CONNORS said was due from Wal-Mart (the "Wal-Mart Discount").

22. In a memorandum that defendant JOSEPH J. CONNORS provided to D.L. on or about December 14, 2001, CONNORS further explained to D.L. that she should record the \$1 million Wal-Mart Discount for fiscal year 2001 and that Wal-Mart would pay the \$1 million in mid-January 2002.

23. Neither Wal-Mart nor any other company ever paid or agreed to pay Kleinert's this alleged discount. Rather, defendant JOSEPH J. CONNORS fabricated this accounting entry and in doing so overstated to the Banks Kleinert's receivables and income by \$1 million.

24. In or around mid-January 2002, defendant JOSEPH J. CONNORS attempted to create a funding source for the fictitious \$1 million Wal-Mart Discount. On or about January 9, 2002, Wal-Mart had sent Kleinert's a check for approximately \$5,189,808 to pay for purchases from Kleinert's. CONNORS instructed an accountant for Kleinert's, an individual known to the grand jury and identified here as J.S., not to credit the entire Wal-Mart payment against its outstanding invoices. Rather, CONNORS told J.S. that she should leave \$1 million of the Wal-Mart payments as cash. CONNORS then instructed D.L. to apply the \$1 million "cash" from the Wal-Mart payment to the "volume discount of \$1 million."

25. Sometime around February 7, 2002, contrary to the directive of defendant JOSEPH J. CONNORS, D.L. and J.S. properly applied the \$1 million against Wal-Mart's outstanding invoices. This left the fictitious Wal-Mart Discount unpaid.

26. In or around February 2002, the First Union Bank Group was conducting an audit of Kleinert's finances to determine whether and to what extent they would continue to provide financing to Kleinert's. As part of this process, the auditors asked defendant JOSEPH J. CONNORS about the alleged Wal-Mart Discount. CONNORS provided false and misleading information to justify this fraudulent transaction that he had created. This included an entirely fabricated letter dated November 30, 2001 from a Taiwanese manufacturing company, San Fong, stating that San Fong was providing Kleinert's with a \$1 million volume discount relating to goods it was manufacturing for Wal-Mart.

27. Defendant JOSEPH J. CONNORS then fraudulently created a funding source for the fictitious Wal-Mart Discount by having the Managing Director of Kleinert's Hong Kong office, an individual known to the grand jury and identified here as S.S., loan Kleinert's approximately \$1 million that would be disguised as the payment on the Wal-Mart Discount.

28. From on or about February 25, 2002 to on or about May 2, 2002, at the direction of defendant JOSEPH J. CONNORS, S.S. wired personal funds to Kleinert's in installments totaling approximately \$799,920. To create the appearance that San Fong was involved in funding this receivable, CONNORS had San Fong wire to Kleinert's approximately \$199,982 on or about February 25, 2002, the same date that S.S. began making his payments. The payments from S.S. and San Fong totaled approximately \$999,902.

29. From on or about March 1, 2002 to on or about May 24, 2002, at the

direction of defendant JOSEPH J. CONNORS, Kleinert's repaid S.S. approximately \$999,902 for his loan to Kleinert's to fund the fictitious Wal-Mart Discount. CONNORS disguised the loan repayments to S.S. as payments to vendors. S.S. repaid San Fong for its portion of the loan.

30. At the direction of defendant JOSEPH J. CONNORS, accountants for Kleinert's credited the payments from S.S. to Kleinert's against the fictitious \$1 million Wal-Mart Discount in Kleinert's financial records.

31. Having created this fictitious \$1 million receivable, defendant JOSEPH J. CONNORS made and caused to be made numerous false statements to the Banks so that Kleinert's could appear compliant with financial covenants under the 2000 Loan Agreement, continue to obtain financing from the Banks, and maintain a favorable financial position with the Banks. The false statements arising from the fictitious Wal-Mart Discount included, among others, the following:

a. Defendant JOSEPH J. CONNORS signed, submitted, and caused to be submitted to the First Union Bank Group false Borrowing Reports dated December 1, December 17, December 29, 2001, and January 14, February 2, February 18, March 2, March 18, March 30, April 15, May 4, and May 20, 2002. CONNORS included in the accounts receivable in each of the above Borrowing Reports the portion of the fictitious Wal-Mart Discount that, at the time of the Borrowing Report, had not yet been paid by S.S. In doing so, CONNORS falsely inflated Kleinert's receivables and financial position in each Borrowing Report.

b. On or about December 19, 2001, defendant JOSEPH J. CONNORS submitted and caused to be submitted to the First Union Bank Group financial calculations prepared by CONNORS showing Kleinert's to have complied with certain financial

covenants as required by the 2000 Loan Agreement. In particular, the calculations showed that Kleinert's had complied with the funded debt to EBITDA ratio, which was a critical covenant to the Banks. Without the fraudulent Wal-Mart Discount, Kleinert's would not have appeared compliant with this covenant.

c. Defendant JOSEPH J. CONNORS signed, submitted, and caused to be submitted to the Banks Form of Compliance Certificates dated December 19, 2001, and February 2, March 2, April 15, May 20, and October 7, 2002. These certificates, discussed more fully above, were false because CONNORS stated, in summary, that all reports and financial statements submitted to the Banks were true and correct and that they fairly presented the financial condition of Kleinert's. In fact, the financial reports and statements were false and misleading because they included the fictitious Wal-Mart Discount.

d. On or about March 7, 2002, the First Union Bank Group was provided with the draft Consolidated Financial Statements for Kleinert's for fiscal years ending December 1, 2001 and December 2, 2000. For fiscal year 2001, the draft Consolidated Financial Statements falsely inflated Kleinert's receivables, gross profit, and net income by \$1 million based on the fictitious Wal-Mart Discount. The Final Consolidated Financial Statements, which were provided later to the Banks, included the same false representations set forth above.

e. On or about March 15, 2002, during a meeting concerning the renegotiation of the 2000 Loan Agreement which was about to expire, defendant JOSEPH J. CONNORS told officials from the First Union Bank Group that the Wal-Mart Discount was a legitimate receivable for \$1 million. In fact, CONNORS misled the Banks about Kleinert's finances because, as CONNORS well knew, the \$1 million Wal-Mart Discount was entirely

fictitious.

Falsified Borrowing Base Certificates

32. Under the terms of the 2002 Loan Agreement, Kleinert's was required to submit to the Wachovia Bank Group weekly Borrowing Base Certificates ("BBC's"). The Wachovia Bank Group used the BBC's to monitor the financial condition of Kleinert's and determine whether and to what extent the Company could continue to borrow funds under the loan agreement. If the financial analysis set forth in the BBC showed "positive availability" of funds under the loan agreement, Kleinert's could continue to receive funding; if it showed an over-advance or "negative availability," Kleinert's could not receive additional funding because it would be in default of the loan agreement.

33. Kleinert's accounting personnel initially prepared the BBC's each week in Elba, Alabama and sent them to defendant JOSEPH J. CONNORS in the corporate office in Plymouth Meeting, Pennsylvania. CONNORS reviewed and finalized the BBC's, signed them, and submitted them to the Wachovia Bank Group.

34. Sometime after defendant RICHARD SHAFFERT was hired by Kleinert's in or around September 2002, the accounting personnel started sending the preliminary BBC's to both defendants JOSEPH J. CONNORS and SHAFFERT. CONNORS continued to sign virtually all of the final BBC's that were sent to the Wachovia Bank Group until on or about December 9, 2002, when CONNORS directed SHAFFERT to begin signing the BBC's.

35. In 2002, Kleinert's was experiencing financial difficulties, caused at least in part by the fictitious financial transactions created in 2001, including the bill and hold sales and the Wal-Mart Discount. During the latter part of 2002, Kleinert's was reporting in its BBC's

significantly declining availability of funds under the 2002 Loan Agreement. Defendants JOSEPH J. CONNORS and RICHARD SHAFFERT regularly discussed this problem and the possible solutions.

36. Sometime around late November 2002, with availability under the 2002 Loan Agreement waning, defendants JOSEPH J. CONNORS and RICHARD SHAFFERT agreed that they could alter the BBC's to create availability by manipulating certain financial figures that would increase accounts receivable and decrease ineligible inventory. These accounting maneuvers were designed to mislead the Wachovia Bank Group about the true financial condition of Kleinert's and improve Kleinert's ability to borrow funds. After SHAFFERT and CONNORS made these changes to the BBC dated November 30, 2002, CONNORS signed the BBC and submitted it to the Wachovia Bank Group.

37. Beginning in or around early December 2002, with the BBC dated December 9, 2002, all of the BBC's that Kleinert's accounting personnel sent to defendants JOSEPH J. CONNORS and RICHARD SHAFFERT showed an over-advance of funds under the loan agreement. That is, based on all the financial information collected by the accounting offices and presented in the BBC, Kleinert's had borrowed more funds than the loan agreement permitted and it could no longer borrow additional funds from the Wachovia Bank Group. This presented a dire situation for Kleinert's. Without funding from the Wachovia Bank Group, Kleinert's could not continue operating its business. In addition, if Kleinert's were over-advanced on the loan, that would constitute a default under the loan agreement and the Wachovia Bank Group could exercise their rights under the agreement, including but not limited to, requiring Kleinert's to pay back the loan in full immediately, no longer advancing any funds or

letters of credit, and seizing the collateral supporting the loan – any of which would likely result in Kleinert's declaring bankruptcy.

38. The BBC's that the accounting personnel prepared in Elba and sent to defendants RICHARD SHAFFERT and JOSEPH J. CONNORS continued to show an over-advance for the BBC's dated December 16, December 23, and December 30, 2002, and January 6, January 12, January 19, and January 27, 2003. The over-advances ranged from approximately \$3.5 million to \$4 million. During this time, acting at the direction of CONNORS, SHAFFERT continued to alter the BBC's so that they showed availability of funds. SHAFFERT made the same misleading accounting maneuvers discussed above to which he and CONNORS had agreed, and also made other changes that created availability under the loan agreement. At first, the additional changes that SHAFFERT made were unintentional errors that increased accounts receivable. Once he discovered his errors, as discussed below, he did not correct the errors; rather, SHAFFERT continued to inflate the accounts receivable knowing that his changes were false and fraudulent. At the direction of CONNORS, SHAFFERT signed the false BBC's and submitted them to the Wachovia Bank Group.

39. In or around late December, 2002, the Wachovia Bank Group questioned defendant JOSEPH J. CONNORS about certain financial figures on the BBC's – having nothing to do with the figures that defendant RICHARD SHAFFERT had altered. As a result of these inquiries, SHAFFERT discovered the unintentional errors that he had made on the BBC's that helped increase availability. SHAFFERT then asked CONNORS if they should disclose those errors to the Wachovia Bank Group, particularly since they were submitting revised reports based on the Banks' inquiries. CONNORS told SHAFFERT that they must not disclose the truth to the

Wachovia Bank Group and that SHAFFERT needed to continue to create positive availability so that Kleinert's could remain in operation. SHAFFERT then continued to alter the BBC's as he had, fraudulently creating availability under the loan agreement. At CONNORS' direction, SHAFFERT signed the false BBC's and submitted them to the Wachovia Bank Group.

40. As a result of the fraudulent misrepresentations of defendant JOSEPH J. CONNORS and RICHARD SHAFFERT, the Wachovia Bank Group continued to loan Kleinert's millions of dollars under the terms of the loan agreement until the Wachovia Bank Group discovered the fraud and exercised its rights of default.

Fraudulent Financing Activity

41. Under the terms of the 2000 and 2002 Loan Agreements, Kleinert's was prohibited from borrowing additional funds from other sources and engaging in any financial transactions with individuals affiliated with Kleinert's without the Banks' permission. Unauthorized loans could mislead the Banks about Kleinert's financial condition and increase the financial risk to the Banks since Kleinert's would owe money to other sources. In addition, any interest paid on an unauthorized loan would deprive the Banks of those funds to which they were entitled as the primary lenders.

42. In 2001 and 2002, defendant JOSEPH J. CONNORS engaged in a series of fictitious and actual loan transactions that were not disclosed to the Banks and were used, along with other fraudulent transactions discussed in this indictment, to falsely improve the financial picture of Kleinert's as presented to the Banks and to help Kleinert's continue to obtain financing.

43. On or about September 1, 2001, defendant JOSEPH J. CONNORS created

a fictitious account receivable of \$1.85 million that was entered on Kleinert's financial records.

44. On or about January 15, 2002, CONNORS documented the supposed \$1.85 million receivable with an internal memorandum from "JJC" to "File" that was backdated to August 15, 2001. The memorandum stated, in relevant part, that an individual known to the grand jury and identified here as J.B., the CEO of Kleinert's, "committed \$1,850,000 additional funds to Kleinert's Inc. as an additional shareholder loan if needed by Kleinert's from 8/15/01 to 11/15/01."

45. Contrary to the financial entry created by defendant JOSEPH J. CONNORS, this supposed transaction did not generate a legitimate account receivable because it did not involve funds that were actually owed to Kleinert's. Rather, it was simply a fictional transaction for which no funds were owed or would ever be received.

46. Nonetheless, defendant JOSEPH J. CONNORS included this \$1.85 million in the accounts receivable section of the following Borrowing Reports which CONNORS signed and submitted to the First Union Bank Group: September 1, September 17, September 29, October 15, November 2, and November 19, 2001. These reports created the false impression to the Banks that were monitoring the financial condition of Kleinert's that the Company was owed an additional \$1.85 million as a legitimate receivable.

47. Defendant JOSEPH J. CONNORS also included this fictitious \$1.85 million receivable (along with an entry of \$559,398 in fraudulent JC Penney bill and hold sales) in the covenant calculations he submitted to the First Union Bank Group on or about October 18, 2001. In submitting these calculations, CONNORS created the appearance that Kleinert's had complied with its financial covenants under the 2000 Loan Agreement, when in fact, Kleinert's

would not have complied with the financial covenants without the fictitious receivables.

48. In or around early August 2002, defendant JOSEPH J. CONNORS created a real, but unapproved, loan transaction which he disguised as an approved transaction. At this time, Kleinert's was experiencing serious cash flow problems and declining availability under the 2002 Loan Agreement, and CONNORS needed a way to pay for goods purchased from San Fong, one of Kleinert's overseas manufacturers. CONNORS advised the Wachovia Bank Group that J.B. was going to purchase goods from San Fong for \$1 million and sell them to Kleinert's as if he were a vendor. As a vendor, J.B. would not be entitled to receive interest on his payment to San Fong. The Wachovia Bank Group agreed to this arrangement because, in part, it would not cost Kleinert's any additional money and would not expose the Banks to any loss that could result from having a competing creditor loaning funds to Kleinert's. CONNORS sent a letter on or about August 2, 2002 addressed to an individual known to the grand jury and identified here as D.R., a Senior Vice President for Wachovia Bank, confirming the details of the transaction as described above.

49. In fact, contrary to his representations to the Banks, defendant JOSEPH J. CONNORS structured the transaction as a loan, which Kleinert's used to pay San Fong. CONNORS then had Kleinert's repay J.B. the funds he had loaned with interest at an annual rate of 12% on the \$1 million, or a total of approximately \$29,589 in interest for what amounted to a three-month loan. CONNORS thus used the waning funds of Kleinert's that it had borrowed from the Wachovia Bank Group to pay J.B. interest on his loan rather than having the funds available for the ordinary business of Kleinert's or to pay down the loan from the Wachovia Bank Group.

50. The above loan transaction with J.B. provided a template for defendant JOSEPH J. CONNORS to create a more deceptive, fraudulent loan transaction. In or around late August 2002, with Kleinert's again running out of cash, CONNORS helped arrange for several Kleinert's shareholders to loan Kleinert's \$1.75 million. Again, CONNORS signed a letter addressed to D.R. stating that J.B. was going to purchase goods from San Fong and sell them to Kleinert's as if he were a vendor. However, this time, CONNORS did not send the letter to Wachovia Bank or notify any of the Banks of the transaction. Without the knowledge or approval of the Wachovia Bank Group, several shareholders of Kleinert's then simply loaned \$1.75 million to Kleinert's for two months and were paid interest at an annual rate of 12%, totaling approximately \$35,671.

51. Defendant JOSEPH J. CONNORS generated this transaction at least in part to create the appearance that Kleinert's had complied with one of the financial covenants under the 2002 Loan Agreement. For the quarter ending August 31, 2002, Kleinert's was required to demonstrate to the Wachovia Bank Group that it had complied with various covenants, including the funded debt to EBIDTA ratio. By adding \$1.75 million to Kleinert's bank accounts and reducing the loan balance by that amount, CONNORS was able to falsely show that Kleinert's complied with this covenant.

52. On or about October 7, 2002, defendant JOSEPH J. CONNORS signed and submitted to the Wachovia Bank Group a Form of Compliance Certificate stating, among other things, that Kleinert's had complied with the quarterly financial covenants in the loan agreement. Because CONNORS had improperly used the loans to reduce the funded debt, this certificate was false and misleading to the Wachovia Bank Group that was servicing the loan.

53. In or around late November 2002, defendant JOSEPH J. CONNORS created another improper loan transaction which he concealed from the Wachovia Bank Group. This time, he had J.B. loan Kleinert's \$1 million for a period of 14 days at a rate of 12% interest, totaling approximately \$4,602. The loan improperly removed Kleinert's from an over-advance position with the Wachovia Bank Group and falsely created availability under the loan agreement, as reflected in the Borrowing Base Certificate dated November 25, 2002. This loan also was provided at a time that financial covenants were to be calculated. The loan would have falsely inflated Kleinert's position on those calculations as the other loans did above, but the calculations were never prepared or submitted.

All in violation of Title 18, United States Code, Sections 1344 and 2.

COUNT TWO

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 and 13 through 53 of Count One are incorporated here.

2. On or about July 28, 2001, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOSEPH J. CONNORS

knowingly made, and aided and abetted the making of, to the First Union Bank Group, false statements for the purpose of influencing the actions of the First Union Bank Group upon a loan, that is, the 2000 Loan Agreement with Kleinert's, in that defendant JOSEPH J. CONNORS caused to be submitted to the First Union Bank Group a false Borrowing Report and covenant calculations in which CONNORS inflated the accounts receivable by at least approximately \$559,398 based on the fictitious bill and hold sales to J.C. Penney, when, as the defendant knew, these were not legitimate accounts receivable. By inflating the accounts receivable in this manner, CONNORS falsely brought Kleinert's into compliance with financial covenants under the loan agreement so that, without any obstacles, the Company could continue to borrow funds from the First Union Bank Group.

In violation of Title 18, United States Code, Sections 1014 and 2.

COUNT THREE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 and 13 through 53 of Count One are incorporated here.

2. On or about August 13, 2001, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOSEPH J. CONNORS

knowingly made, and aided and abetted the making of, to the First Union Bank Group, false statements for the purpose of influencing the actions of the First Union Bank Group upon a loan, that is the 2000 Loan Agreement with Kleinert's, in that defendant JOSEPH J. CONNORS caused to be submitted to the First Union Bank Group a false Form of Compliance Certificate in which CONNORS certified, in summary, that the financial reports submitted to the First Union Bank Group were accurate and prepared in accordance with GAAP, that they fairly reflected the financial condition of the Company, and that Kleinert's had complied with the covenants under the loan agreement, when, as the defendant knew, (1) the financial reports submitted to the First Union Bank Group inflated the accounts receivable by at least approximately \$559,398 based on fictitious bill and hold sales to J.C. Penney; (2) the financial reports were not prepared according to GAAP because the bill and hold sales to J.C. Penney were fictitious; and (3) as a result of the fictitious bill and hold sales, Kleinert's had not complied with the covenants under the 2000 Loan Agreement.

In violation of Title 18, United States Code, Sections 1014 and 2.

COUNTS FOUR THROUGH NINE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 and 13 through 53 of Count One are incorporated here.

2. On or about the dates set forth below, each date constituting a separate count, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOSEPH J. CONNORS

knowingly made, and aided and abetted the making of, to the First Union Bank Group, false statements for the purpose of influencing the actions of the First Union Bank Group upon a loan, that is the 2000 Loan Agreement with Kleinert's, in that defendant JOSEPH J. CONNORS caused to be submitted to the First Union Bank Group false Borrowing Reports and covenant calculations in which CONNORS inflated the accounts receivable by at least approximately \$2,409,398 based on the fictitious bill and hold sales to J.C. Penney (for \$559,398) and the fictitious pledge of J.B. (for \$1.85 million), when, as the defendant knew, these were not legitimate transactions or accounts receivable. In making these false statements and inflating the accounts receivable, CONNORS falsely brought Kleinert's into compliance with financial covenants under the loan agreement so that, without any obstacles, the Company could continue

to borrow funds from the First Union Bank Group.

Count	Date
4	9/1/01
5	9/17/01
6	9/29/01
7	10/15/01
8	11/2/01
9	11/19/01

All in violation of Title 18, United States Code, Sections 1014 and 2.

COUNTS TEN THROUGH TWELVE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 and 13 through 53 of Count One are incorporated here.

2. On or about the dates set forth below, each date constituting a separate count, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOSEPH J. CONNORS

knowingly made, and aided and abetted the making of, to the First Union Bank Group, false statements for the purpose of influencing the actions of the First Union Bank Group upon a loan, that is the 2000 Loan Agreement with Kleinert's, in that defendant JOSEPH J. CONNORS caused to be submitted to the Banks false Form of Compliance Certificates in which CONNORS certified, in summary, that the financial reports submitted to the First Union Bank Group were accurate and prepared in accordance with GAAP, that they fairly reflected the financial condition of the company, and that Kleinert's had complied with the covenants under the loan agreement, when, as the defendant knew, (1) the financial reports submitted to the First Union Bank Group inflated the accounts receivable by at least approximately \$2,409,398 based on fictitious bill and hold sales to J.C. Penney and the fictitious pledge of J.B.; (2) the financial reports were not prepared according to GAAP because the bill and hold sales to J.C. Penney and the pledge of J.B. were not legitimate transactions or accounts receivable; and (3) without the false accounts

receivable discussed above, Kleinert's would not have complied with the covenants under the 2000 Loan Agreement.

Count	Date
10	9/17/01
11	10/15/01
12	11/19/01

All in violation of Title 18, United States Code, Sections 1014 and 2.

COUNTS THIRTEEN THROUGH TWENTY-FOUR

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 and 13 through 53 of Count One are incorporated here.

2. On or about the dates set forth below, each date constituting a separate count, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendants

**JOSEPH J. CONNORS and
JAY ANDREWS**

knowingly made, and aided and abetted the making of, to the First Union Bank Group, false statements for the purpose of influencing the actions of the First Union Bank Group upon a loan, that is the 2000 Loan Agreement with Kleinert's, in that defendants JOSEPH J. CONNORS and JAY ANDREWS caused to be submitted to the First Union Bank Group false Borrowing Reports which inflated the accounts receivable by between approximately \$5.6 million and \$11 million based on the fictitious bill and hold sales and the fictitious \$1 million Wal-Mart Discount when CONNORS knew that these were not legitimate receivables and ANDREWS knew that the bill and hold receivables were not legitimate. By increasing the accounts receivable in this fashion, CONNORS and ANDREWS falsely inflated and disguised the true financial condition of Kleinert's that was presented to the First Union Bank Group.

Count	Date	Approximate Amount of Inflated Accounts Receivable
13	12/1/01	\$11,069,058
14	12/17/01	\$10,069,058
15	12/29/01	\$9,714,517

Count	Date	Approximate Amount of Inflated Accounts Receivable
16	1/4/02	\$9,714,517
17	2/2/02	\$8,061,556
18	2/18/02	\$8,061,556
19	3/2/02	\$7,347,200
20	3/18/02	\$7,347,200
21	3/30/02	\$6,753,467
22	4/15/02	\$6,653,467
23	5/4/02	\$5,649,136
24	5/20/02	\$5,649,136

All in violation of Title 18, United States Code, Sections 1014 and 2.

COUNTS TWENTY-FIVE THROUGH TWENTY NINE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 and 13 through 53 of Count One are incorporated here.

2. On or about the dates set forth below, each date constituting a separate count, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOSEPH J. CONNORS

knowingly made, and aided and abetted the making of, to the First Union Bank Group, false statements for the purpose of influencing the actions of the First Union Bank Group upon a loan, that is the 2000 Loan Agreement with Kleinert's, in that defendant JOSEPH J. CONNORS caused to be submitted to the First Union Bank Group false Form of Compliance Certificates in which CONNORS certified, in summary, that the financial reports submitted to the First Union Bank Group were accurate and prepared in accordance with GAAP, that they fairly reflected the financial condition of the company, and that Kleinert's had complied with the covenants under the loan agreement, when, as the defendant knew, (1) the financial reports submitted to the Banks inflated the accounts receivable by at least between \$5.6 million and \$11 million based on the fictitious bill and hold sales and the fictitious \$1 million Wal-Mart Discount; (2) the financial reports were not prepared in accordance with GAAP because the alleged bill and hold sales were not legitimate transactions or accounts receivable; and (3) without the false accounts receivable

discussed above, Kleinert's would not have complied with the covenants under the 2000 Loan Agreement.

Count	Date
25	12/19/01
26	2/2/02
27	3/2/02
28	4/15/02
29	5/20/02

All in violation of Title 18, United States Code, Sections 1014 and 2.

COUNT THIRTY

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 and 13 through 53 of Count One are incorporated here.

2. On or about March 7, 2002, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendants

JOSEPH J. CONNORS and JAY ANDREWS

knowingly made, and aided and abetted the making of, to the First Union and Wachovia Bank Groups, false statements for the purpose of influencing the actions of the Banks upon a loan, that is the 2000 Loan Agreement with Kleinert's, in that defendants JOSEPH J. CONNORS and JAY ANDREWS caused to be submitted to the Banks false draft Consolidated Financial Statements which falsely inflated the accounts receivable for fiscal year 2001 by approximately \$11 million based on the fictitious bill and hold sales (\$10 million) and the fictitious Wal-Mart Discount (\$1 million) and falsely inflated the income of Kleinert's by approximately \$2.3 million based on the profit built into the fictitious bill and hold sales (\$1.3 million) and the income attributable to the fictitious Wal-Mart Discount (\$1 million) when CONNORS knew that these were not legitimate transactions, and ANDREWS knew that the bill and holds sales were not legitimate transactions, for which Kleinert's could report an increase in accounts receivable and income. CONNORS and ANDREWS submitted this false information to the Banks, at least in part, to support Kleinert's effort to renegotiate the 2000 Loan Agreement with the Banks.

In violation of Title 18, United States Code, Sections 1014 and 2.

COUNT THIRTY-ONE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 and 13 through 53 of Count One are incorporated here.
2. On or about March 15, 2002, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOSEPH J. CONNORS

knowingly made to the First Union and Wachovia Bank Groups, false statements for the purpose of influencing the actions of the Banks upon a loan, that is the 2000 Loan Agreement with Kleinert's, in that defendant JOSEPH J. CONNORS told officials from the Banks that the approximately \$10 million in bill and hold sales were legitimate and that they would not negatively impact the projected sales for fiscal year 2002 when, as the defendant knew, the bill and hold sales were fictitious and would necessarily reduce the number of sales in fiscal year 2002 because legitimate sales would have to be credited against the fraudulent bill and holds.

In violation of Title 18, United States Code, Section 1014.

COUNTS THIRTY-TWO THROUGH FIFTY-EIGHT

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 and 13 through 53 of Count One are incorporated here.

2. On or about the dates set forth below, each date constituting a separate count, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendants

JOSEPH J. CONNORS and JAY ANDREWS

knowingly made, and aided and abetted the making of, to the Wachovia Bank Group, false statements for the purpose of influencing the actions of the Wachovia Bank Group upon a loan, that is the 2002 Loan Agreement with Kleinert's, in that defendants JAY ANDREWS and JOSEPH J. CONNORS caused to be submitted to the Wachovia Bank Group false Borrowing Base Certificates which inflated the accounts receivable by between approximately \$773,000 and \$5.4 million based on the fictitious bill and hold sales, when as the defendants knew, these were not legitimate receivables. By increasing the accounts receivable in this fashion, defendants CONNORS and ANDREWS falsely inflated and disguised the true financial condition of Kleinert's that was presented to the Wachovia Bank Group.

Count	Date	Approximate Amount of Inflated Accounts Receivable
32	6/3/02	\$5,447,591
33	6/8/02	\$5,447,591
34	6/17/02	\$5,447,591
35	6/24/02	\$5,447,591
36	7/1/02	\$5,441,671

Count	Date	Approximate Amount of Inflated Accounts Receivable
37	7/8/02	\$4,554,747
38	7/15/02	\$4,554,747
39	7/22/02	\$4,340,276
40	7/29/02	\$4,340,276
41	8/1/02	\$4,340,276
42	8/5/02	\$4,340,276
43	8/12/02	\$4,340,276
44	8/19/02	\$3,357,922
45	8/26/02	\$3,357,922
46	9/3/02	\$3,357,922
47	9/9/02	\$3,357,922
48	9/16/02	\$3,047,697
49	9/23/02	\$3,047,697
50	9/30/02	\$3,047,697
51	10/7/02	\$3,047,697
52	10/14/02	\$2,004,420
53	10/21/02	\$2,004,420
54	10/28/02	\$2,004,420
55	11/4/02	\$2,004,420
56	11/11/02	\$773,574
57	11/18/02	\$773,574
58	11/25/02	\$773,574

All in violation of Title 18, United States Code, Sections 1014 and 2.

COUNT FIFTY-NINE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 and 13 through 53 of Count One are incorporated here.
2. On or about October 7, 2002, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOSEPH J. CONNORS

knowingly made, and aided and abetted the making of, to the Wachovia Bank Group, false statements for the purpose of influencing the actions of the Banks upon a loan, that is the 2002 Loan Agreement with Kleinert's, in that defendant JOSEPH J. CONNORS caused to be submitted to the Wachovia Bank Group a false Form of Compliance Certificate with covenant calculations in which CONNORS certified, in summary, that the financial reports submitted to the Wachovia Bank Group were accurate and prepared in accordance with GAAP, that they fairly reflected the financial condition of the company, and that Kleinert's had complied with the covenants under the loan agreement, when, as the defendant well knew, (1) the financial reports submitted to the Banks from on or about June 3, 2002 to on or about October 7, 2002 inflated the accounts receivable by approximately \$3 million to \$5.4 million based on the fictitious bill and hold sales; (2) the financial reports were not prepared in accordance with GAAP because the fictitious bill and hold sales were not legitimate transactions or accounts receivable; and (3) without the false accounts receivable discussed above, Kleinert's would not have complied with the covenants under the loan agreement.

In violation of Title 18, United States Code, Sections 1014 and 2.

COUNTS SIXTY THROUGH SIXTY-SIX

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 and 13 through 53 of Count One are incorporated here.

2. On or about the dates set forth below, each date constituting a separate count, in Plymouth Meeting, in the Eastern District of Pennsylvania, and elsewhere, defendants

**JOSEPH J. CONNORS and
RICHARD SHAFFERT**

knowingly made, and aided and abetted the making of, to the Wachovia Bank Group, false statements for the purpose of influencing the actions of the Wachovia Bank Group upon a loan, that is the 2002 Loan Agreement with Kleinert's, in that defendants JOSEPH J. CONNORS and RICHARD SHAFFERT caused to be submitted to the Wachovia Bank Group false Borrowing Base Certificates in which CONNORS and SHAFFERT altered the financial figures in various improper ways by between approximately \$1.9 million and \$4.4 million to create availability under the loan agreement and thereby obtain funding from the Wachovia Bank Group to which Kleinert's was not entitled. In making these false statements, defendants CONNORS and SHAFFERT falsely inflated and disguised the true financial condition of Kleinert's that was presented to the Wachovia Bank Group.

Count	Date	Approximate Fraudulent Amount of Available Funds
60	12/16/02	\$1,918,738
61	1/06/03 (revising BBC dated 12/23/02)	\$2,481,609

Count	Date	Approximate Fraudulent Amount of Available Funds
62	12/30/02	\$2,842,436
63	1/6/03	\$4,443,356
64	1/12/03	\$3,750,167
65	1/19/03	\$3,611,607
66	1/27/03	\$3,803,957

All in violation of Title 18, United States Code, Sections 1014 and 2.

NOTICE OF FORFEITURE

THE GRAND JURY FURTHER CHARGES THAT:

1. As a result of the violations of Title 18, United States Code, Section 1344, set forth in this indictment, defendants

**JOSEPH J. CONNORS,
JAY ANDREWS, and
RICHARD SHAFFERT**

shall forfeit to the United States of America any property that constitutes, or is derived from, proceeds traceable to the commission of such offenses, including, but not limited to, the sum of as much as \$35,000,000.

2. If any of the property subject to forfeiture, as a result of any act or omission of the defendants:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- © has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b),

incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendants up to the value of the property subject to forfeiture.

All pursuant to Title 18, United States Code, Section 982(a)(2).

A TRUE BILL:

FOREPERSON

PATRICK L. MEEHAN
United States Attorney